

Section 5 - Education Issues

Tuition and Fees

**The University of North Carolina
and
The North Carolina Community College System**

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TUITION AND FEES

THE UNIVERSITY OF NORTH CAROLINA SYSTEM AND THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

ISSUE STATEMENT

Historically, and under a provision of the State constitution, North Carolina has maintained tuition at a level that is low by national and peer standards. The aim of the constitutional provision has been to maximize access to higher education for North Carolinians, by eliminating cost as a barrier. Indeed, the State has realized immense benefits in social and economic development from its position on cost and access; however, given current and projected limitations on fiscal resources, combined with the need to continue to provide resources to the higher education systems, it is time to reevaluate the concept of low cost and to determine what the meaning of that concept should be for the next several years. Consequently, the Government Performance Audit Committee requested that a study of tuition and fees be conducted.

The first section of this paper describes background and findings pertaining to general policy of the General Assembly or to both higher education systems. Subsequent sections are organized by issues specific to The University of North Carolina (UNC), the North Carolina Community College System (NCCCS), federal financial aid, and tuition-setting policies and practices in peer states. The latter form the specific context for recommendations, which are grouped at the end, followed by a section on implications.

TUITION AND FEES IN NORTH CAROLINA'S HIGHER EDUCATION INSTITUTIONS

Selection and Use of Comparative Peer Data

To discuss North Carolina's tuition and fees in perspective, comparative data for peer states, southern states, or all states have been used throughout this paper. Eleven peer states were selected as a special comparison group for various aspects of their comparability to UNC.

Southern states included are members of the Southern Regional Education Board (SREB). Because pertinent data were readily available, the Western Interstate Commission on Higher Education (WICHE) states also are cited. Altogether, when overlaps between the 11 peers, SREB, and WICHE states are eliminated, comparisons are made with 36 of 50 states. Appendix A lists the 11 peer, SREB, and WICHE states. A 1991-1992 State of Washington study and other sources are used for peer state and national data.

Comparative tuition and fee data must be interpreted with great care because of variances in sources of information, study methodologies, and definitions of terms, such as what budget items are or are not included in definitions of student charges or "cost of education."

The Constitutional Provision

Article IX, Section 6 of the *Constitution of the State of North Carolina*, framed in 1868, embodies a public commitment to make higher education accessible to North Carolina residents. As recently as 1970, in a constitutional referendum, citizens of North Carolina again affirmed their commitment to this principle, by readoption of Article IX, now Section 9, with some language revisions to reflect modern realities. The extant provision, which went into effect in July 1971, states that:

"The General Assembly shall provide that the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense."

The Institute of Government of UNC indicates that its interpretation of the term expense is all-inclusive, that is, expense is intended to mean **all** the costs of college attendance, including tuition, course fees, activity fees, room and board, and books.¹ Public sentiment in North Carolina, as represented by interviewees for this study, reflects continued commitment to the constitutional mandate, although few articulate the specific interpretation advanced by the Institute of Government. Most interviewees frame their comments in terms of **tuition** alone, because tuition, representing an approximation of the student's share of instructional cost, is the largest element of cost that is funded and controlled by the General Assembly. It is widely believed that keeping tuition low will help the State improve its still unacceptably low college participation rate.

The General Assembly has adhered to the spirit of the constitutional provision, by maintaining tuition levels far lower than those applied in most peer states, in the south, and nationally. Until recently, this was relatively easy to do. In the last few budget sessions, however, declining revenues and increasing demands for services caused the General Assembly to enact tuition increases that, following the State's history, were relatively dramatic.

Relationship Between Tuition Rates and the College-Going Rate

Reliable data on rates of college participation are difficult to develop due to many factors, including: in-state and out-of-state enrollment of state residents; definition of institutional categories that count as "college;" and whether only the 18-year old cohort or other age cohorts are counted. Usually, college-going rates are defined for the high school graduate cohort.

Finding 1: Despite low tuition levels, North Carolina has not achieved a high college-going rate, in comparison with national norms.

Based on the only data identified for this study, summarized in Exhibit 1, North Carolina's college-going rate has averaged 53.8 percent since 1986 while the national rate has averaged 57.4 percent during the same period. The State's college-going rate declined by 1.3 percent between 1988 and 1990, while the national average increased by 1.4 percent. At first glance,

¹John Sanders, Institute of Government, Telephone interview, December 4, 1992.

once could associate recent declines in participation with recent tuition increases for UNC and NCCCS and, from this, generalize that tuition increases are driving down college participation.

But it also is possible that debate in North Carolina has centered too much on the relationship between tuition and college attendance, risking oversimplification of a fairly complex set of cost and non-cost factors. For one, the General Assembly cannot control or limit all costs of college attendance--room, board, transportation, books, and incidental costs of living away from home, not to mention the "opportunity cost" of not working. Second, family values with respect to the sacrifices necessary to pay for higher education, versus the economic benefits that accrue from it, also may be a factor. Thus, economic conditions and expectations play a role. Third, costs of attendance in private higher education institutions also drive the college-going rate. Fourth, the availability of financial aid is involved. Even with low tuition, the costs of college attendance may be beyond the reach of some North Carolinians; the extent to which financial aid programs are designed and funded to support students with few financial resources can be a factor.

EXHIBIT 1 College-Going Rate: North Carolina and US for Selected Years		
Year	North Carolina	United States
1986	52.1%	53.8%
1988	55.4%	58.5%
1990	54.1%	59.9%
Average	53.8%	57.4%

Source: UNC General Administration, based on unpublished data from the U.S. Department of Labor, Bureau of Labor Statistics.

Finally, the college-going rate in North Carolina may be affected directly and indirectly by numerous non-cost factors, some of which would include:

- **High School Curricula and Counseling.** Requirements for and quality of academic track preparation in high schools may be among the significant factors in college participation. For example, a recent change to require algebra of college-bound high school students may have contributed to recent increases in average SAT scores. SAT scores, in turn, are a factor in college-going rates.
- **Early Capture of Children into Educational Aspirations.** Recently, North Carolina has begun to focus attention on pre-school and early childhood as a currently underfunded educational priority. In fact, in

North Carolina, kindergarten is not mandatory; children are not required to attend school until the age of 7. It is possible that, for some North Carolina children, getting a late start in school ultimately affects their high school persistence and their decisions to attend college or not.

- **Perceptions About Job Market Opportunities.** For a small segment of the population, investment in a college education may not seem worthwhile if/where local employment opportunities do not appear to require advanced education, or even high school completion. Farming and small manufacturing communities would be examples. For some people, not attending college may be an appropriate "market" decision.

To illustrate the potential impact of factors other than cost, assume that the portion of North Carolina's youth that enter high school and that subsequently attend college can be increased by increasing the proportion of students that actually graduate from high school. According to statistics in the recent report of the Governor's Commission on Workforce Preparedness, only 66.7 percent of students who enter high school go on to graduate.² Therefore, for every 1,000 students that enter high school, 667 graduate. Of this 667, 54.1 percent, or 361 students, enter college. If the high school completion rate were increased to the 90 percent target proposed by the Governor's Commission, then the number of students in the pool of potential college applicants would be 900 and the number attending college might be 487, instead of 361, of the original 1,000 students, using the college-going rate of 54.1 percent.

Therefore, for North Carolina, it may be more useful and realistic to frame the debate about how to improve the college-going rate in terms of the entire complex of factors that together influence this rate, rather than in terms of low tuition.

Finding 2: Enrollments in UNC and NCCCS have continued to increase, despite recent tuition increases.

To further complicate the analysis of college-going rates, enrollments in UNC increased 11.7 percent and NCCCS enrollments increased 17.5 percent since Fall 1987. There is no hard evidence to indicate that even the recent tuition increases have slowed overall enrollment growth. UNC enrollments are projected to increase about two percent annually in the next five years and NCCCS enrollments are projected to increase by 3.5 percent.

On the other hand, concern was expressed by many interviewees that, while enrollments have increased overall, the mix of students attending UNC and NCCCS may be changing, by family income levels. Interviewees indicate their belief that (1) recent tuition increases at UNC are causing more students to attend community colleges for the first two years of college and (2) persons in low income categories are not considering attending community college because the costs are becoming overwhelming. To the extent that clients of NCCCS include large numbers

²*The Skills Crisis in the Workplace: A Strategic Response for Economic Development*, The Report of the Governor's Commission on Workforce Preparedness, November 1990.

students. Under this definition, certain academic fees would be excluded, as they only pertain to students enrolled in certain curricula, but many fees in the second category could be included. Debt service fees might or might not be included. A fourth category, fees charged to residential students for housing and meal service are excluded from this discussion, although families must consider these charges as part of the cost of college attendance. Also excluded are books, software, computers, or other materials.

Cost of Education. "Cost of education" or "cost of instruction" is defined typically to include those budget items that states consider attributable to the education of undergraduate students. States vary in what they include in this category but generally include direct instructional costs, operations, maintenance and library. Budget items commonly excluded are: research, facilities paid for by bonds, public service, medicine, dentistry, and continuing education. Some states allocate a portion of some costs on a pro-rated basis. For example, Florida allocates one-third of library costs to undergraduate cost of education, one-third to research and one-third to public service. Grounds maintenance is another budget item that sometimes is allocated on a pro-rated basis to undergraduate costs and to public service.

North Carolina's definition of "cost of education" is similar to those of other states in that it utilizes selected budget categories supported by state appropriations plus student receipts, including tuition and academic fees. Cost of education also is referred to as the "requirements per FTE student." Various cost of education or requirements figures are used for UNC, including separate ones for specialized institutions, such as North Carolina School of the Arts and the health affairs/medical school budgets. Exhibit 2 summarizes budget categories that are included and excluded in the UNC "general" cost of education definition referred to in this discussion.

EXHIBIT 2 The University of North Carolina Cost of Education/Requirements per FTE	
Budget Categories Included	Budget Categories Excluded
Regular Term Instruction	Summer Term Instruction
Division of Health Affairs (ECU) except Medicine	Extension Instruction (continuing education)
Organized Research	Community Services
Libraries	NC Center for the Advancement of Teaching (WCU)
General Institutional Support:	School of Veterinary Medicine (NCSU)
General Academic Support	School of Medicine (ECU)
Student Services	Health Affairs (UNC-CH)
Institutional Support and Physical Plant Operations	School of the Arts
Student Financial Aid	
Reserves	

Source: North Carolina General Assembly Fiscal Research Division

Tuition and Fees - Undergraduate Resident Students

As shown in Exhibit 3, UNC currently has four different undergraduate resident tuition rate categories for different institutional classifications.

EXHIBIT 3 The University of North Carolina Undergraduate Resident Tuition by Institutional Classification FY 1991-92 and FY 1992-93			
Institution Category	Annual Tuition FY 1991- 1992	Annual Tuition FY 1992- 1993	Percent Change FY 1991- 1992 to FY 1992- 1993
Comprehensive University II	556	590	6.1%
Comprehensive University I	676	718	6.2%
Research/Doctoral University	774	822	6.3%
School of the Arts	1,158	1,158	0 %

Source: UNC Tuition Schedules

Throughout the following discussion, average tuition and fees are compared for FY 1991-1992, based on the most recent Washington State study.

Finding 5: UNC undergraduate resident tuition and fees for FY 1991-1992 were lowest of all peer states for research/doctoral universities and third lowest for comprehensive universities.

As Exhibit 4 shows, at \$1,213 North Carolina's combined tuition and fees are lower than all 11 peer states, for undergraduate resident students at the research/doctoral universities. This was the case despite a total increase of 43.6 percent from the base in FY 1987-1988, because UNC's combined increase for the period was close to the peer average increase of 43.2 percent for the same period. Tuition and fees for UNC research/doctoral institutions is 48 percent of the peer state average of \$2,526.

As Exhibit 5 shows, at \$1,166, North Carolina has the third lowest combined tuition and fees among the peer states, for undergraduate resident students in "comprehensive" universities. In this category, North Carolina has increased tuition and fees since FY 1987-1988 by 37.7 percent, slightly ahead of the average percentage increase for peer states which was 35.2 percent for the same period. Tuition and fees for UNC comprehensive universities is 52 percent of the peer state average of \$2,233.

of adults, including a large proportion of women and women who are single heads of households, it is not impossible to imagine that even minor increases in tuition may be material.

In effect, the question is whether students from the lower family income levels are being increasingly excluded. Unfortunately, no data were found to support or refute this hypothesis specifically for North Carolina. Logic dictates, however, that at some point, the hypothesis becomes true--unless financial aid programs adequately correct the effects of rising costs.

The higher education literature is not entirely helpful on this topic. Leslie and Brinkman reviewed twenty studies of the relationship between tuition and enrollments and concluded that, for every one hundred dollar increase in tuition charges in constant dollars, the expected impact is less than a one percent decline in enrollments.³ This suggests that college attendance is elastic. Another study found that enrollment rates are based not just on tuition increases alone, but on the impact of total costs associated with attending a college or university, including tuition, fees, room, and board.⁴ This study concludes that enrollment will decrease by one-half the percentage increase in total cost. The study also concludes that, as tuition and total costs increase, the applicant pool of low-income students declines.

Current Processes of Setting Tuition and Fees

Finding 3: North Carolina does not have a tuition policy to interpret "as far as practicable" for contemporary fiscal conditions.

Given the presence of the constitutional provision, North Carolina seems to have a tuition policy. In reality, the constitutional language leaves much room for interpretation and this interpretation has been supplied indirectly by the annual budget process.

Late Schedule for Determination of Tuition

Finding 4: The timing of tuition decisions, late in the budget process, complicates the cycle for financial aid and student billing.

Leaving tuition rate decisions to near the end of the General Assembly's budget process does not enable institutions to announce rates for the coming academic year in a timely fashion for planning by institutions, students, their families, and financial aid officers. Some of the specific problems cited include:

- Need to send out updated invoices reflecting the new tuition charges

³Larry L. Leslie and Paul T. Brinkman "Student Price Response in Higher Education: The Student Demand Studies," *The Journal of Higher Education*, Vol. 58, No. 2, March/April 1987.

⁴Elizabeth Savoca, "Another Look at the Demand for Higher Education: Measuring the Price Sensitivity of the Decision to Apply to College," *Economics of Education Review*, Vol. 9, No. 2, pp. 123-134, 1990.

- Confusion of the process for applying for federal student aid programs, with the federal aid deadlines being in early spring
- Hardships imposed on students and their families in planning their finances for the coming year

In the past three years, the budget process has resulted in large increases in tuition being adopted close to the start of the academic year. For some families, the increase may have been dramatic enough to cause problems.

TUITION AND FEES – THE UNIVERSITY OF NORTH CAROLINA

Comparative analysis of UNC tuition and fees is difficult because of variations in definitions used by other states and in various analytical studies which form the body of national data. Throughout the following discussion of tuition and fees, comparisons must be interpreted to account for these differences.

Definitions of Terms

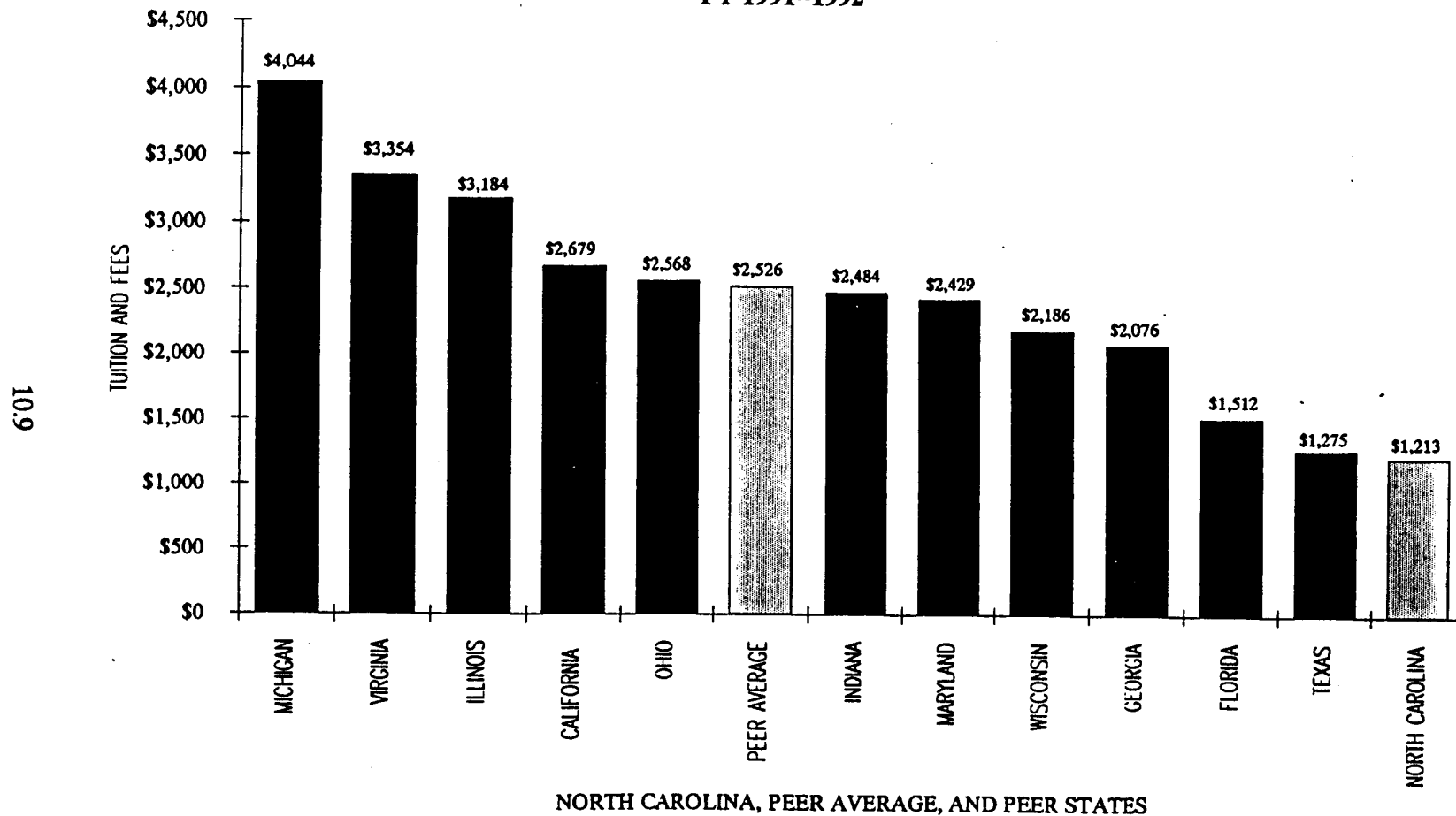
Tuition. Tuition is that charge to the student which serves as an approximation of the student share of the "cost of education." In microeconomic terms, tuition is a "price." In reality, students in higher education do not all pay the same price, because financial aid programs may be considered discounts or variable pricing. Also, there is no standard relationship in public or private higher education between tuition as a "price" and the true "cost" of educating a student.

Fees. Fees are various categories of non-tuition charges including:

- **Academic Fees.** These support costs of specific academic programs, typically "course fees" associated with specialized instructional resources, such as music instruction, science laboratories, or special academic programs.
- **Activity or Service Fees.** These support non-instructional programs or facilities not specifically supported by state appropriations, but which are part of the environment for collegiate education or programs for student development. These may include student activity fees, athletic fees, health service fees, and club or special activity fees.
- **Debt Service Fees.** These fees are associated with security for and repayment of revenue bonds issued for capital facilities, which may include dormitories, food service facilities, parking, stadia, student activities centers, or other non-instructional capital facilities of the universities.

UNC fee structures include these three components. Comparative national studies cited do not define which fees are included or define fees as those which are **required of all enrolled**

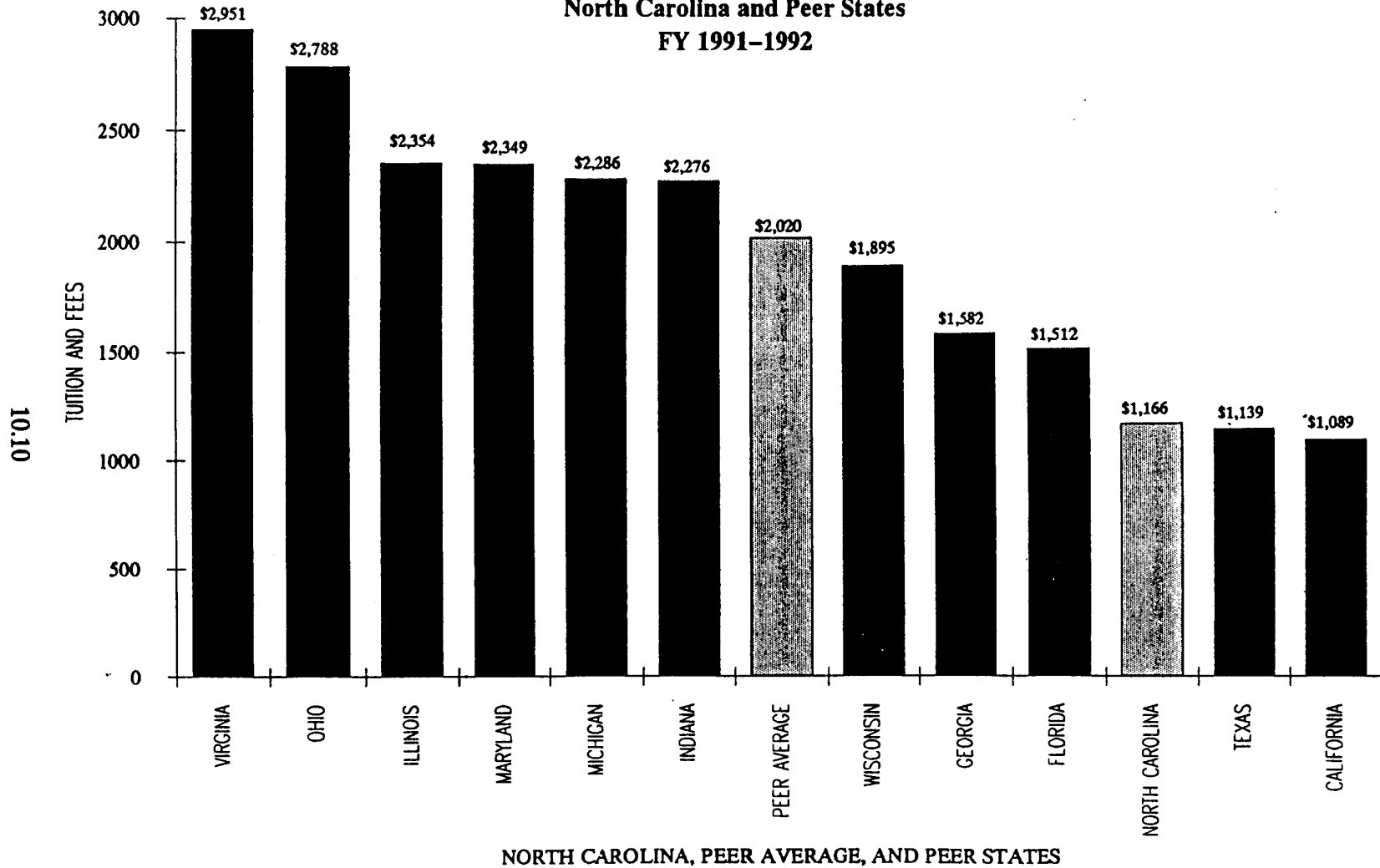
Exhibit 4
Undergraduate Resident Tuition and Required Fees at Research/Doctoral Universities
North Carolina and Peer States
FY 1991-1992



Note: UNC institutions include UNC-CH, NCSU, and UNC-G.

Source: *Tuition and Fee Rates: A National Comparison*, Higher Education Coordinating Board, State of Washington, November, 1991

Exhibit 5
Undergraduate Resident Tuition and Required Fees At Comprehensive Universities
North Carolina and Peer States
FY 1991-1992



Note: Tuition at Comprehensive II Universities is slightly lower.

Source: *Tuition and Fee Rates: A National Comparison*, Higher Education Coordinating Board, State of Washington, November, 1991

Among the SREB states, North Carolina has the second lowest tuition of the 15 states for comprehensive universities and the lowest of the 15 for research/doctoral universities.

Tuition and Fees – Undergraduate Nonresident Students

Current statutes call for nonresident tuition to equal the average charges by public institutions in other states. For several years, nonresident tuition has been raised more than enough to bring it in line with the requirement.⁵ As Exhibit 6 shows, for undergraduate nonresident students at research/doctoral universities, UNC has the **fourth lowest** tuition and fees among the selected peer states, at \$7,081. Of the peer states, three are lower—Texas at \$4,788; Georgia at \$5,520; and Florida at \$5,651. UNC undergraduate nonresident tuition at research/doctoral universities is **90 percent of the peer group average of \$7,851.**

For comprehensive universities, the comparison yields different results. As seen in Exhibit 7, for these institutions, UNC has the **fourth highest** rate of tuition and fees among the peer states, at \$6,104. Only California at \$8,561; Virginia at \$6,683; and Ohio at \$6,262, are higher. UNC is **one percent above the peer state average of \$6,045.**

Finding 6: UNC's undergraduate nonresident tuition is relatively lower than its peers for research/doctoral universities than for comprehensive universities.

North Carolina prices nonresident undergraduate tuition for comprehensive universities at 101 percent of the peer average, but prices nonresident undergraduate tuition for research/doctoral universities at 90 percent of the peer average. Therefore, those universities which presumably have the strongest nonresident "demand" are priced at a slight relative discount to those for which nonresident demand is presumably lesser.

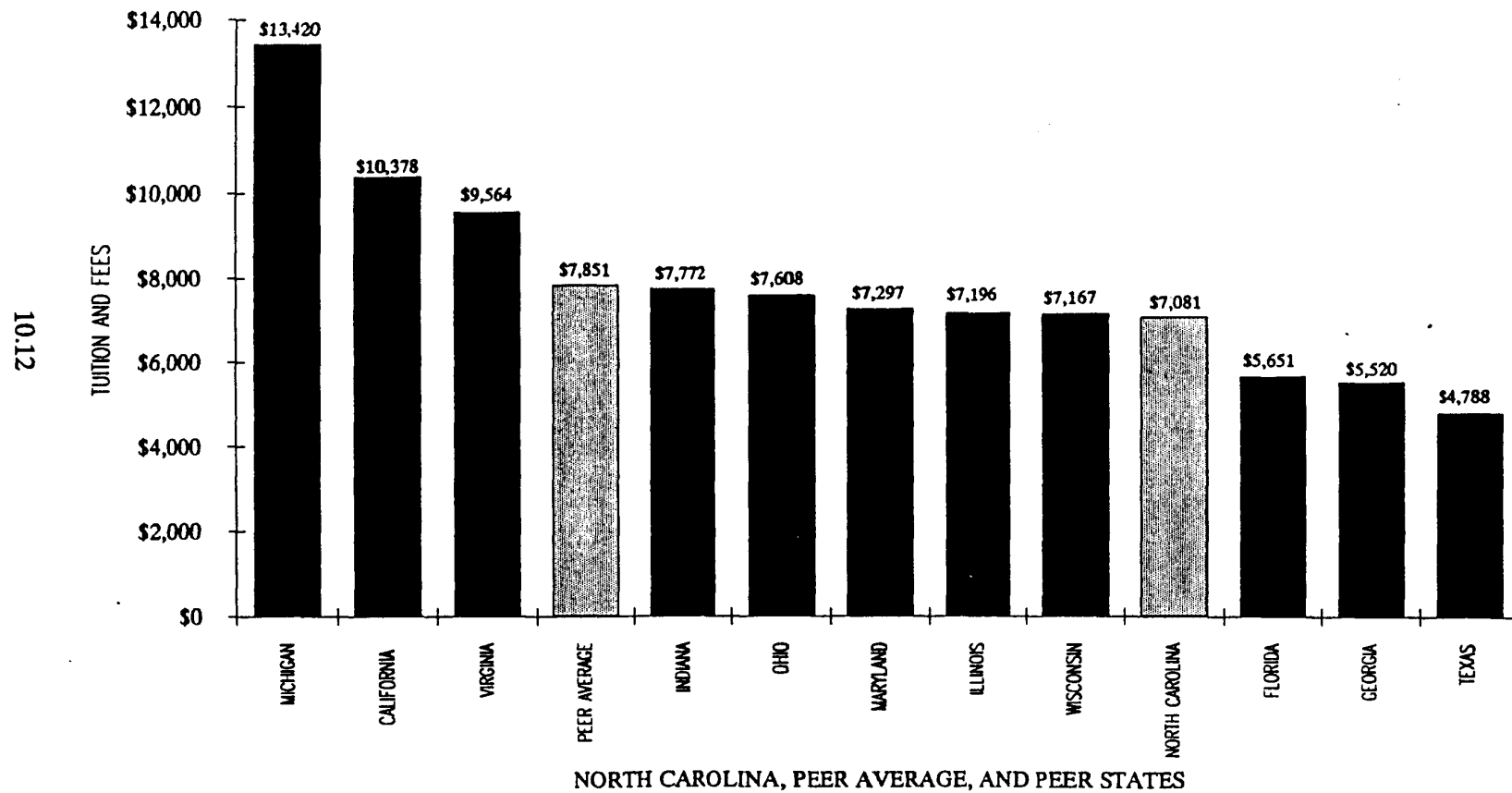
The policy of charging much higher tuition for nonresidents of the State is reasonable, given constraints on resources. The institutions have legitimate concerns about the potential impact on their enrollment mix of driving away qualified nonresident students who contribute to the overall quality of experience for North Carolinians. But it is not evident that the cost for non-North Carolina residents should be relatively a greater "bargain" at the research/doctoral universities than at the comprehensive institutions.

Finding 7: Recent increases in tuition and fees for nonresident undergraduates have not yet had a material negative effect on attracting nonresident students to UNC.

Since Fall 1987, undergraduate nonresidents, as a percentage of total undergraduate enrollment did decline from 12.8 percent to 11 percent but showed a modest gain in absolute numbers, up from 16,424 to 16,493. During the same period, enrollments of nonresidents at North Carolina's private colleges and universities rose from 21,801 to 22,939 maintaining about the same relationship between overall statewide enrollment of nonresidents to North Carolina

⁵The practice has been to examine nonresident tuition and fees charged by research/doctoral institutions nationally and to set UNC nonresident tuition accordingly. This GPAC analysis uses averages for 11 peer states rather than national averages.

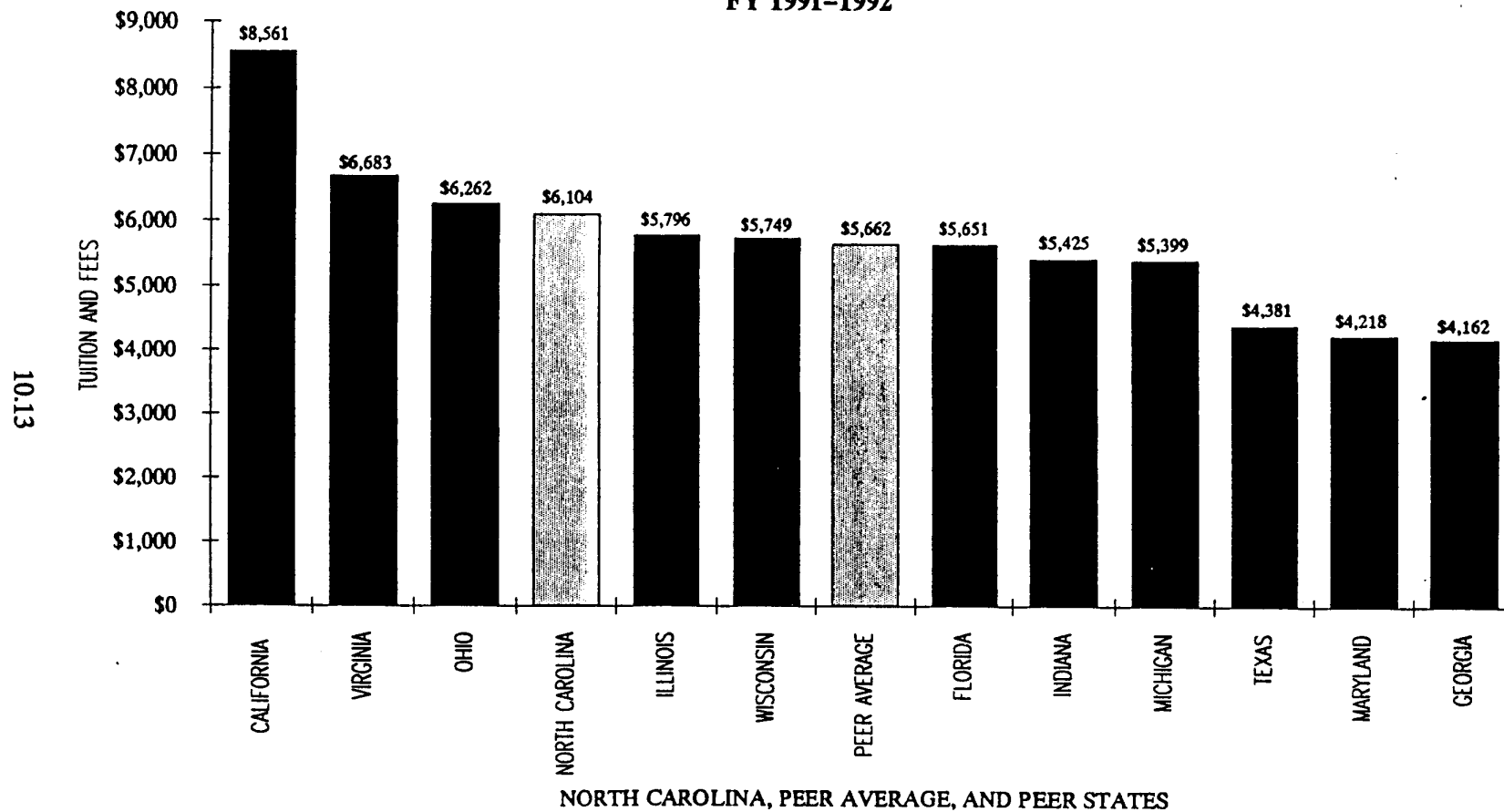
Exhibit 6
Undergraduate Nonresident Tuition and Required Fees at Research/Doctoral Universities
North Carolina and Peer States
FY 1991-1992



Note: UNC institutions include UNC-CH, NCSU, and UNC-G

Source: *Tuition and Fee Rates: A National Comparison*, Higher Education Coordinating Board, State of Washington, November, 1991

Exhibit 7
Undergraduate Nonresident Tuition and Required Fees at Comprehensive Universities
North Carolina and Peer States
FY 1991-1992



Note: UNC tuition rate is for Comprehensive I's; Comprehensive II's slightly lower.

Source: *Tuition and Fee Rates: A National Comparison*, Higher Education Coordinating Board, State of Washington, November, 1991